



www.kaimarconsulting.com www.acyprusproperty.com www.immobilien-zypern.com

Property in Cyprus, you have come to the right place.

Income Tax in Cyprus

The tax system in Cyprus is progressive. In other words, the higher your income, the higher the rate at which you will pay tax. In 2008 the tax rates for an individual are 20% - 30%.

There is a reduced rate and/or exemptions that are granted for certain forms of income.

The standard rate of Cyprus corporate tax for 2008 is 10%.

The profits of off shore companies that were registered in Cyprus before 12/2001 were charged a final tax of 4.25%. This tax rate ended on 31.12.2005. From 1.1.2006 international business companies, IBC, are taxed at the 10% rate.

Residents are subject to defence contribution for passive income, e.g. rental, dividends etc the rates are 3% - 15%.

Non residents are exempt from this tax.

Income for an Individual

An individual is liable for tax on his income as an employee and on income as a self-employed person.

Tax will be payable on income earned in Cyprus and overseas but expecting a salary received overseas by an individual who meets the test of a "permanent resident" of Cyprus.

A foreign resident who is employed in Cyprus pays tax only on income earned in Cyprus. To be considered a resident of Cyprus, residence of at least 180 days in Cyprus during any calendar tax year must be established or a life that is centred in Cyprus.

An employer is obligated to deduct, immediately, each month, the amount of tax and national insurance due from a salaried worker. A self-employed individual is obliged to make advance

payments on income tax that will be offset on filing an annual report. The advance payments are made in three equal payments.

Cyprus Corporate Tax

The basic tax rate is 10%.

The tax rate for semi-government bodies is 25%.

Shipping companies sailing under the Cyprus flag pay zero tax on profits and dividends paid.

Capital Gains Tax (for individuals)

The profit on the sale of a real estate or of shares in an unlisted company that owns real estate, is taxable at the rate of 20%.

The tax must be paid on the difference between the cost, adjusted to the increase in the index up until the date of sale, and the sale price.

There is a basic exemption for an individual. The exemption is conditional on the class of the real estate. The amount of the lifetime exemption on the sale of a residential apartment is up to a maximum of € 85.430.00 (when living in the property for at least 5 consecutive years before the sale).

Deduction of tax at source: Taxation of Employee

The employer is obligated to deduct tax at source from an employee and to make additional contributions to social security.

Social Security

The employer's contribution is 6.3% of the salary.

The employee's contribution is 6.3% of the salary.

The maximum amount on which national insurance is payable is € 46.032.00 per year.

Self employed pay 11.6% on income.

Income as a working taxpayer the tax rates are as follows:

Amount of Income	Tax Rate
€0- € 19.500	0%
To € 28.600	20%
To € 36.300	25%
To 36.300+	30%

As a retired tax payer you will have the choice to come under the working tax payer's band as above or the retired tax payer's band as follows:

Amount of Income	Tax Rate
€0 - € 3.400.00	0%
€ 3.400.00+	5%

To be eligible for the Retirees tax bands you must not undertake paid employment of any kind. Other income such as bank interest and dividends from shares are exempt from income tax, however they are taxable by way of Cyprus Defence Levy (Special Contribution for Defence).

All the information given in this Document has been supplied by accountants, local tax offices and the local government websites.

[Kaimar Consultants Ltd will take no responsibility in regards to the accuracy of this information.](#)

[Cyprus Government](#)



You can find more [information about Cyprus](#) on our Resources pages or why not just read our [Blog](#)